Titanic Insurer Atlantic Sinks Into Liquidation

The 173-year-old Atlantic Mutual Insurance Co., New York, which survived paying claims on the Titanic, is in liquidation.

New York State Superintendent of Insurance James J. Wrynn took over as liquidator April 27, following an order of the Supreme Court of the State of New York, County of New York. The order also applied to its subsidiary, Centennial Insurance Co. It followed the placement of the insurer into rehabilitation on Sept. 16, 2010, according to the New York Liquidation Bureau.

In May 2010, Ohio regulators revoked Atlantic Mutual's license. The insurer reported negative capital and surplus of $25.1 million as of Dec. 31, 2009. Ohio state law required commercial lines carriers to maintain a minimum capital and surplus of $5 million (*BestWire, May 28, 2010*).

Arkansas Insurance Commissioner Jay Bradford had already suspended Atlantic Mutual's license for the negative 2009 surplus.

Liquidation enables the state insurance department as liquidator or its appointed deputy to wind up the insurance company's affairs by selling its assets and settling claims upon those assets.

Oklahoma suspended Centennial's license due to negative surplus of $2 million, according to a June 2010 A.M. Best report. Atlantic Mutual and Centennial have operated under an intercompany pooling reinsurance arrangement since 1956. Atlantic Mutual's surplus has been deteriorating due to severe loss-reserve development in its commercial lines business, primarily workers' compensation and general liability, according to the report.

Adverse loss development also resulted from the commutation of the insurer's aggregate excess-of-loss agreements; catastrophe losses; and from the company's discontinued personal lines business, which has been in runoff since 2007. In 2004, the company scaled down its operations to focus solely on personal lines business, particularly in the high net worth market.

In March 2006, A.M. Best downgraded Atlantic Mutual's financial strength rating to B- (Fair) from B+ (Good) citing a $100 million decline in surplus due to adverse reserve development in its discontinued commercial lines reserves. In 2007, it sold its high net worth personal lines business to Ace Group. At the time of its impairment, Atlantic Mutual was not rated by A.M. Best. From its peak rating of A+ (Superior), assigned in late 1991, A.M. Best downgraded Atlantic Mutual's rating a number of times, lowering it six notches to B- by March 2006. In August 2006, the rating was withdrawn at the company's request and it was assigned an NR-4.

— Sean Carr

Delaware's Captives Roster Eclipses 100; More to Come


Kinion

Delaware's growing captive domicile has passed the 100th captive licensing mark, and more are in the pipeline, said Steve Kinion, Delaware captive bureau manager.

Kinion said 102 captives have been licensed and another 15 applications are in the pipeline. Those are parent captives, and excludes the 42 series business units, five protected cells and five incorporated cells in Delaware. "One of the beauties of Delaware is the beauty of Delaware corporate law," Kinion said.

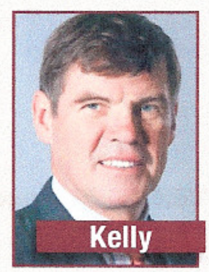
Incorporated cells, which act like an incorporation within a corporation, are a unique concept that many off-shore jurisdictions have.

Vermont, the largest U.S. captive domicile, is considering changes to its captive law that would allow for the formation of incorporated protected cell companies. Protected cells are allowed in Vermont today, but are based on contract law, not corporate law (*BestWire, April 27, 2011*).

Delaware already allows incorporated cells, but its series captives are more popular.

— Meg Green

Liberty Mutual CEO: Storms Could Cost Industry $15 Billion


Kelly

Liberty Mutual Group saw a rise in its 2011 first-quarter net income, despite "the number and magnitude of significant catastrophic events worldwide," said Chairman and Chief Executive Officer Edmund F. (Ted) Kelly during a May 5 conference call.

In fact, Kelly said the month of April "will certainly be an eye opener" and that "looking at our preliminary loss reports and market share, we estimate that in aggregate, storms in April will cost the industry somewhere between $10 billion and $15 billion."

Net rose to $362 million, from $315 million a year ago.

Kelly said, overall, the company's businesses were profitable and "our investment operation had another outstanding quarter." He said about 15 years ago, Liberty Mutual "embarked on a strategy to diversify the company by every measure — geography, products, market segments, distribution channel. As a global insurer of unparalleled diversification, it is hard to imagine an insured event somewhere in the world that will not impact us."

— Lori Chordas